

HERSHEY

CHOCOLATE CORPORATION

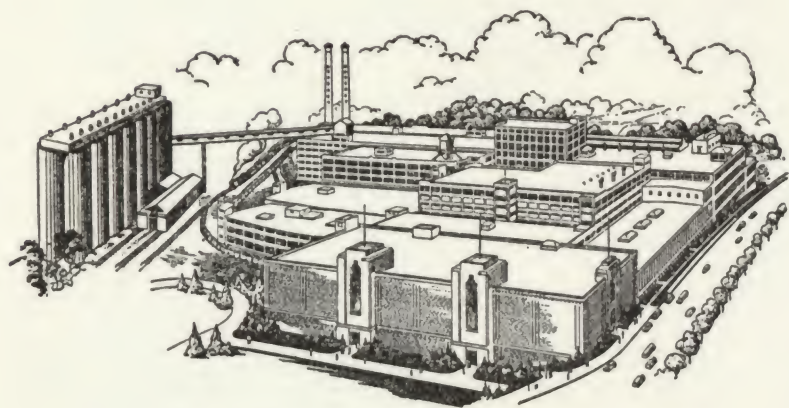
ANNUAL REPORT
DECEMBER 31, 1953



HERSHEY

CHOCOLATE CORPORATION

HERSHEY, PENNSYLVANIA



Executive Offices and Manufacturing Plant



BOARD OF DIRECTORS

P. A. STAPLES, *Chairman*

J. J. GALLAGHER

L. W. MAJER

P. N. HERSHEY

W. E. SCHILLER

S. F. HINKLE

D. PAUL WITMER

OFFICERS

P. A. STAPLES, *President*

L. W. MAJER, *Secretary*

W. E. SCHILLER, *Treasurer and Comptroller*

TRANSFER AGENT

CITY BANK FARMERS TRUST COMPANY
NEW YORK

REGISTRAR

GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

To the Stockholders of

Hershey Chocolate Corporation:

I take pleasure in submitting herewith the financial statements of Hershey Chocolate Corporation at December 31, 1953, as examined by Messrs. Arthur Andersen & Co.

Sales for the year 1953 were \$150,023,919 as compared with \$152,663,083 for 1952. The net profit for 1953 was somewhat higher than for the preceding year and amounted to \$9,908,547 as compared with \$9,647,234; equivalent, after deducting Preferred Stock dividends, to \$3.92 and \$3.81 per share of Common Stock in the respective years. Cash dividends on Common Stock during 1953 amounted to \$2.50 a share, including an extra dividend of \$.50 paid in December. In the preceding year the cash dividends amounted to \$2.00 per share and there was also paid a 2% stock dividend. The regular dividends of \$2.12- $\frac{1}{2}$ per share were also paid in each year on the Preferred Stock.

The moderate improvement in net operating results is due in general to lower costs of certain raw materials. In the latter part of 1953, however, the market price of cocoa beans, which has a history of wide fluctuations, increased sharply and by early 1954 had reached an all-time high. Because of such higher prices the Corporation in recent months made general adjustments in sales prices or sizes of finished products. While the price of cocoa beans, our principal raw material, has an important bearing on earnings of the Corporation, it is neither practical nor possible to effect adequate adjustments to offset all the additional cost.

In each of the two years the provision for Federal and Pennsylvania income taxes exceeded the net profit, although no provision for excess profits taxes was required. In 1953 the provision for such taxes amounted to \$11,220,000 as compared with net profit of \$9,908,547. The Federal income tax law requires forty-five percent of the taxes to be paid by March 15, and a like amount by June 15; that is, approximately \$9,500,000 in the first six months of 1954. The Corporation, prior to December 31, 1953, purchased \$7,500,000 of United States Treasury Savings Notes to be used toward the payment of such installments.

The financial position of the Corporation was improved by increasing working capital by \$3,534,559, to a total of \$46,321,070 at December 31, 1953. Inventories, of which a substantial portion is stated at cost on a last-in, first-out basis, represented approximately 75 percent of the total current assets, and were \$9,062,164 more than at the close of the previous year. It is necessary to maintain sizable inventories, as well as purchase commitments, to assure adequate supplies for operating needs. The Corporation purchased 11,350 shares of its Preferred Stock at a cost of \$577,650, and, pursuant to the Preferred Stock sinking fund requirements, 10,150 of such shares were retired; the remaining 1200 shares are held for future sinking fund needs. Expenditures during the year for additions and improvements to the plant amounted to approximately \$800,000.

The community of Hershey, widely known as "The Chocolate Town", has become more and more a major center of interest for tourists, and people in increasing numbers from many parts of the world come to see us each year. The tour of the chocolate plant is the high light of these visits and in 1953, the fiftieth anniversary of the founding of the community by Milton S. Hershey, we were hosts to 106,000 people, a new record for our Visitors' Department.

In conclusion I wish to express my appreciation to the officers and employees whose spirit of cooperation helped to make possible the completion of another successful year.

Respectfully submitted,

P. A. STAPLES

President

February 23, 1954

HERSHEY CHOCOLATE

BALANCE SHEET

ASSETS

CURRENT ASSETS :

Cash	\$ 8,791,125
Accounts receivable, less reserves of \$471,684....	5,036,213
Inventories (lower of average cost or market, except for cocoa beans and cocoa bean content of goods in process and finished goods inventories which are stated at cost on last-in, first-out basis)	41,403,531
Total current assets	<u>\$55,230,869</u>

PLANT AND PROPERTY, at cost:

Land	\$ 96,088	
Buildings and improvements	12,652,843	
Machinery and equipment	21,064,253	
Construction in progress	185,362	
	<u>\$33,998,546</u>	
Less—Reserves for depreciation	17,534,773	16,463,773

DEFERRED AND PREPAID ITEMS	210,715
	<u>\$71,905,357</u>

NOTE: The Preferred Stock is redeemable by the Corporation. During 1954 the price is \$50.75 per share. Upon voluntary liquidation such Preferred Stock is at such price and, upon involuntary liquidation, to \$50 per share. Such prices and amounts are (with certain exceptions) conditioned upon compliance with sinking fund payments at an average of 5,075 shares of the Preferred Stock per annum. The Corporation has

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DECEMBER 31, 1953

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities.....		\$ 3,811,794
Dividend payable February 15, 1954 on Series A cumulative preferred stock.....		123,379
Reserve for state taxes.....		889,036
Reserve for Federal income taxes	\$11,585,590	
Less - United States Treasury Savings Notes	7,500,000	4,085,590
Total current liabilities		<u>\$ 8,909,799</u>

RESERVE FOR PAST SERVICE COST

OF PENSIONS		939,488
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CAPITAL STOCK AND SURPLUS:

Series A 4- $\frac{1}{4}$ % cumulative preferred stock, par value \$50 per share (see Note)— Authorized 233,543 shares; outstanding 233,442 shares (including 1,200 shares in Treasury)	\$11,672,100	
Common Stock, without par value— Authorized 3,000,000 shares; outstanding 2,399,251 shares	4,200,716	
Earned surplus.....	46,243,254	
	<u>\$62,116,070</u>	
Deduct - Treasury Stock— 1,200 shares Series A cumulative preferred, at cost	60,000	62,056,070
		<u><u>\$71,905,357</u></u>

Optional redemption price is \$52.50 per share and the sinking fund redemption is based on a preferential amount equal to its then applicable optional redemption price plus accrued dividends. Dividends on, or purchases of, Common Stock are not required if the Corporation has purchased or redeemed a cumulative amount of such sinking fund requirements through 1954.

HERSHEY CHOCOLATE CORPORATION

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1953

PROFIT AND LOSS

GROSS SALES, LESS DISCOUNTS, RETURNS AND ALLOWANCES		\$150,023,919
COST OF GOODS SOLD, SHIPPING, SELLING, AD- MINISTRATIVE AND GENERAL EXPENSES		<u>128,895,372</u>
		\$ 21,128,547
PROVISION FOR INCOME TAXES:		
Federal normal and surtax (no provision required for excess profits tax)	\$ 10,600,000	
Commonwealth of Pennsylvania income tax....	<u>620,000</u>	<u>11,220,000</u>
Net profit for the year		<u>\$ 9,908,547</u>

NOTE: Costs and expenses include provision for depreciation of plant and equipment in the amount of \$1,121,023.

EARNED SURPLUS

EARNED SURPLUS AT DECEMBER 31, 1952		\$ 42,837,785
ADD - Net profit for the year 1953		<u>9,908,547</u>
		\$ 52,746,332
DEDUCT:		
Dividends—		
Dividends declared on Series A 4¼% cumulative preferred stock (\$2.12½ per share)	\$ 494,800	
Dividends paid on Common Stock (\$2.50 per share)	5,998,128	
Premium of \$1.00 per share on sinking fund redemption of 10,150 shares of Series A Preferred Stock	<u>10,150</u>	<u>6,503,078</u>
EARNED SURPLUS AT DECEMBER 31, 1953		<u>\$ 46,243,254</u>

AUDITORS' CERTIFICATE

*To the Board of Directors,
Hershey Chocolate Corporation:*

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1953, and the related statements of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation as of December 31, 1953, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 9, 1954.

HERSHEY CHOCOLATE CORPORATION

EXECUTIVE OFFICES AND MANUFACTURING PLANT
HERSHEY, PENNSYLVANIA

WAREHOUSES

Atlanta, Ga.	Kansas City, Mo.
Billings, Mont.	Little Rock, Ark.
Cambridge, Mass.	Los Angeles, Cal.
Chicago, Ill.	Milwaukee, Wis.
Cincinnati, Ohio	New York, N. Y.
Dallas, Texas	Oklahoma City, Okla.
Davenport, Iowa	Omaha, Neb.
Denver, Colo.	Pittsburgh, Pa.
Detroit, Mich.	Portland, Ore.
East St. Louis, Ill.	St. Paul, Minn.
Houston, Texas	Salt Lake City, Utah
Jacksonville, Fla.	San Francisco, Cal.

Seattle, Wash.

SALES OFFICES

In all principal cities in the United States

HERSHEY'S PRODUCTS

FOR THE CONSUMER

MILK CHOCOLATE BARS

MILK CHOCOLATE KISSES

ALMOND BARS

BAKING CHOCOLATE

SEMI-SWEET BARS

DAINTIES

KRACKEL BARS

BREAKFAST COCOA

MR. GOODBAR

CHOCOLATE SYRUP

MINIATURE BARS

HOT CHOCOLATE POWDER

MILK CHOCOLATE FUDGE TOPPING

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS

COCOA POWDER

UNSWEETENED CHOCOLATE

CHOCOLATE SYRUP

COCOA BUTTER

MILK CHOCOLATE FUDGE





